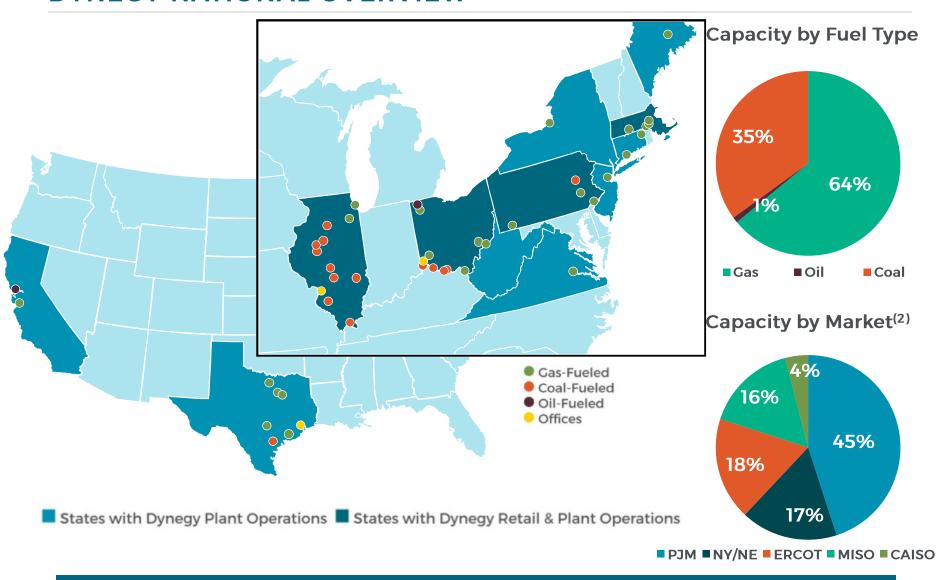


DYNEGY NATIONAL OVERVIEW(1)



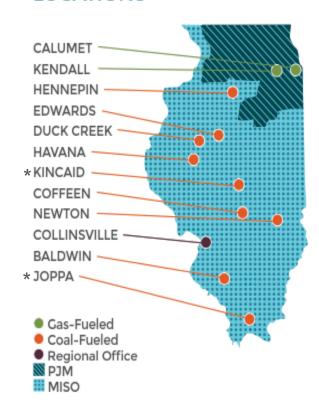
DYNEGY'S PORTFOLIO HAS BEEN TRANSFORMED TO PREDOMINATELY NATURAL GAS, AND INVESTMENT HAS SHIFTED TOWARD NEW ENGLAND, THE MID-ATLANTIC AND TEXAS



DYNEGY ILLINOIS OVERVIEW

FACILITY	MUNICIPALITY	COUNTY	NET CAP. (MW)	TOTAL DIRECT JOBS
Baldwin	Baldwin	Randolph	1,185	204
Calumet	Chicago	Cook	380	8
Coffeen	Coffeen	Montgomery	915	151
Duck Creek	Canton	Fulton	425	93
Edwards	Bartonville	Peoria	585	118
Havana	Havana	Mason	434	97
Hennepin	Hennepin	Putnam	294	85
Joppa	Joppa	Massac	802/ 221	178
Kendall	Minooka	Kendall	1,288	54
Kincaid	Kincaid	Christian	1,108	144
Newton	Jasper Co.	Jasper Co.	615	95
Regional HQ	Collinsville	Madison		140
Springfield Office	Springfield	Sangamon		6
Total IL			~8,000	~1,400

LOCATIONS

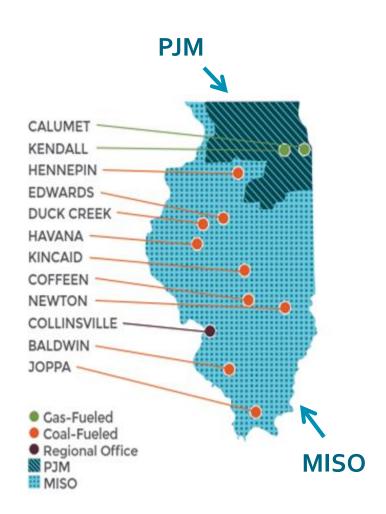


* Kincaid and Joppa are geographically located downstate but not part of MISO.



MISO Plants plus Joppa are shown in bold.

ILLINOIS IS BIFURCATED BETWEEN TWO MARKETS



^{*} Kincaid and Joppa are geographically located downstate but not part of MISO.

PJM AND MISO

- PJM is a market of competitive generators and retailers, which provides customers with electric choice
- Except for downstate IL, MISO is a market of vertically-integrated utilities that don't have customer choice like Illinois
- The MISO capacity market is not intended to value reliability (resource adequacy); it is only a residual balancing mechanism
- As a result, independent generators, that rely upon the competitive market for cost recovery, have to compete against utility owned generation, largely from other states that is subsidized by ratepayers
- Dynegy has been warning of the pitfalls of the downstate Illinois market structure for several years
- Dynegy has proposed several options:
 - 1. MISO fix the market design for Southern Illinois due to its uniqueness in MISO
 - 2. Move Southern Illinois to PJM
 - 3. Fixed Resource Adequacy Plan (FRAP)
 - 4. New IPA Procurement Proposal



THE UNDERLYING DEFECTS

- MISO is comprised of 14 states served by regulated, vertically-integrated utilities without competitive markets, and Downstate Illinois, which has competitive wholesale and retail electricity markets.
- The general MISO capacity market construct is well-suited for the 14 other states but ill-suited for Illinois.
 - The MISO process only procures generation capacity for one year ahead, through auctions held 2 to 3 months before the start of the year; therefore it does not provide long-term price signals.
 - The MISO auctions are "residual," and do not involve all wholesale power suppliers and all retail suppliers.
 - Regulated utilities in other MISO states, who recover their costs through rates set by regulators and charged to captive retail ratepayers, can bid short-term excess capacity into the MISO Zone 4 auctions, with no commitment required to serve Downstate Illinois on a long-term basis.
 - The MISO process does not consider the need to select generating capacity within IL MISO Zone 4 to support the reliable operation and resilience of the Downstate Illinois transmission grid (the MISO process only looks at one reliability attribute, not all).



THE RESULTING EFFECTS

The current electric generation capacity procurement mechanism for Downstate Illinois (Ameren Illinois service area / MISO Zone 4) does not produce stable, long-term pricing signals

- Erratic, unstable prices from year-to-year, discouraging investment
- Prices for generation capacity are insufficient to support existing Downstate power plants or to incentivize investments in new generating capacity or to improve efficiency of existing plants.

Existing generating plants in Downstate Illinois are at risk of closing

- Several generating units have already been closed.
- Additional generating units will likely be closed in the next 1-3 years without a solution.
- These closures impact long-term electric reliability and adequacy in Downstate Illinois as well as costing the region jobs, economic activity, State and local tax revenues, and support for local communities, economies, governments and other institutions.



ILLINOIS CAPACITY AUCTION HISTORY

Recent MISO Downstate Illinois Auctions	Price per Unit
MISO 2015-2016	\$150.00
MISO 2016-2017	\$72.00
MISO 2017-2018	\$1.50

...in contrast to the most recent PJM auctions (which are three years ahead)

Recent PJM ComEd Zone Auctions	Price per Unit
PJM 2018-2019	\$215.00
PJM 2019-2020	\$202.00
PJM 2020-2021	\$153.00

THERE IS A SUBSTANTIAL DISPARITY BETWEEN CAPACITY PRICES IN UPSTATE ILLINOIS AND CAPACITY PRICES IN DOWNSTATE ILLINOIS



ILLINOIS CAPACITY MARKET COMPARISON

3.5 Miles Powerron Fish

Plant in PJM Market

Last Auction Clearing Price \$153/MW-Day

= \$27.9 M / Year Capacity

Revenue for a 500 MW plant

LACK OF A ROBUST CAPACITY MARKET PRECLUDES INVESTMENT IN EFFICIENCY PROJECTS, ENVIRONMENTAL CONTROLS, COAL-TO-GAS CONVERSION, ETC.



Plant in MISO Market

Plant

plant]

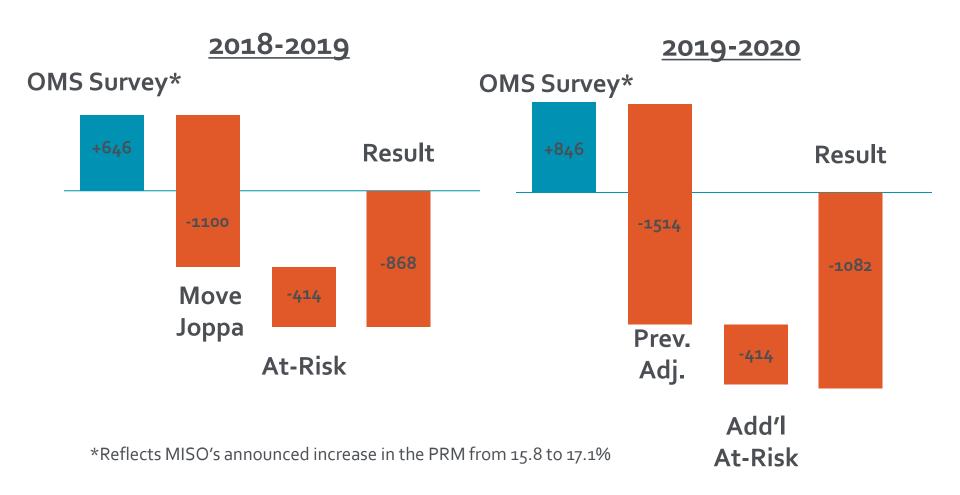
Last Auction Clearing Price \$1.50/MW-Day

= \$.274 M / Year Capacity

Revenue for a 500 MW

[Only 1% of the revenue of a similar PJM-located

WHEN WILL THE PROBLEM OCCUR?

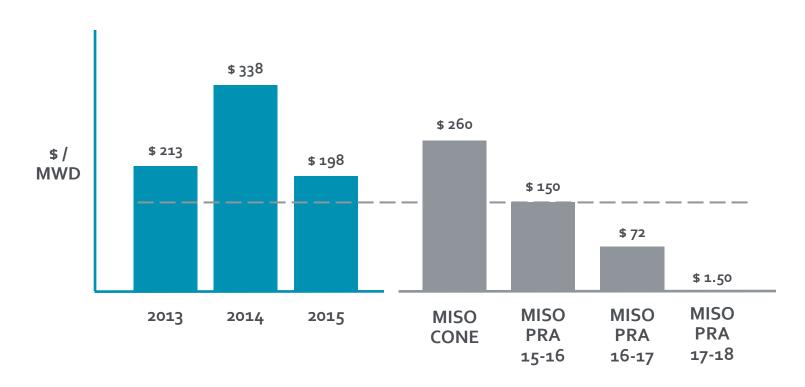


MOVING JOPPA (NOT A MISO RESOURCE) OR RETIRING A FRACTION OF AT-RISK PLANTS RESULTS IN A SUPPLY DEFICIT AS EARLY AS 2018



RMR (A.K.A. SSR) CONTRACTS

Relative Cost of Edwards SSR Agreement



SSR AGREEMENTS ARE AN EXPENSIVE NON-MARKET SOLUTION



COMPETITIVE MARKET SOLUTION

One straightforward solution is for Illinois to enact Legislation that establishes an Illinoisspecific capacity procurement process for Downstate Illinois (as permitted by MISO's FERCapproved rules), with these components:

- Procure capacity for three years and more in the future using a mix of longerduration supply contracts as determined by the IPA and the ICC.
- Require all entities serving retail customers in Ameren Illinois territory (utilities and competitive suppliers) to acquire capacity through this process.
- Allow all capacity resource types that can deliver into MISO Zone 4 to participate as bidders (traditional coal, gas and nuclear generation; renewable resources; demand response resources; energy efficiency resources).
- Each selected capacity supplier will receive the price it bid; this will encourage realistic bidding based on suppliers' actual costs and lead to capacity suppliers being selected based on efficiency and costs.
- Allow the IPA and ICC to select suppliers taking into account the need for in-Zone generation capacity to support the reliability and resilience of the Downstate Illinois transmission grid.

